

Oxford City Council

Completion Report for Those Charged with Governance

Years ended 31 March 2022 and 31 March 2023

Report issued - 20 November 2024



Audit and Governance Committee
Oxford City Council
Town Hall,
St Aldate's
Oxford OX1 1BX

20 November 2024

Dear Audit and Governance Committee

Oxford City Council - Completion Report for Those Charged With Governance – 2021/22 and 2022/23 financial years

Attached is our Completion Report for Those Charged With Governance. The purpose of this report is to provide the Audit and Governance Committee of Oxford City Council (the Council) with a detailed complete report covering our approach and outcomes of the 2021/22 and 2022/23 audits.

Given that Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the years ended 31 March 2022 and 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

In completing our work for this audit year we have taken into account Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024", Local Authority Reset and Recovery Implementation Guidance. We have also taken into account the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice (including recent 2024 updates), the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. Against this backdrop we have also considered the Committee's service expectations.

The Audit & Governance Committee, as the Authority's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Authority's wider arrangements to support the delivery of a timely and efficient audit.

We consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Audit & Governance Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw the Audit & Governance Committee members and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix F).

This report is intended solely for the information and use of the Audit & Governance Committee and management and is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

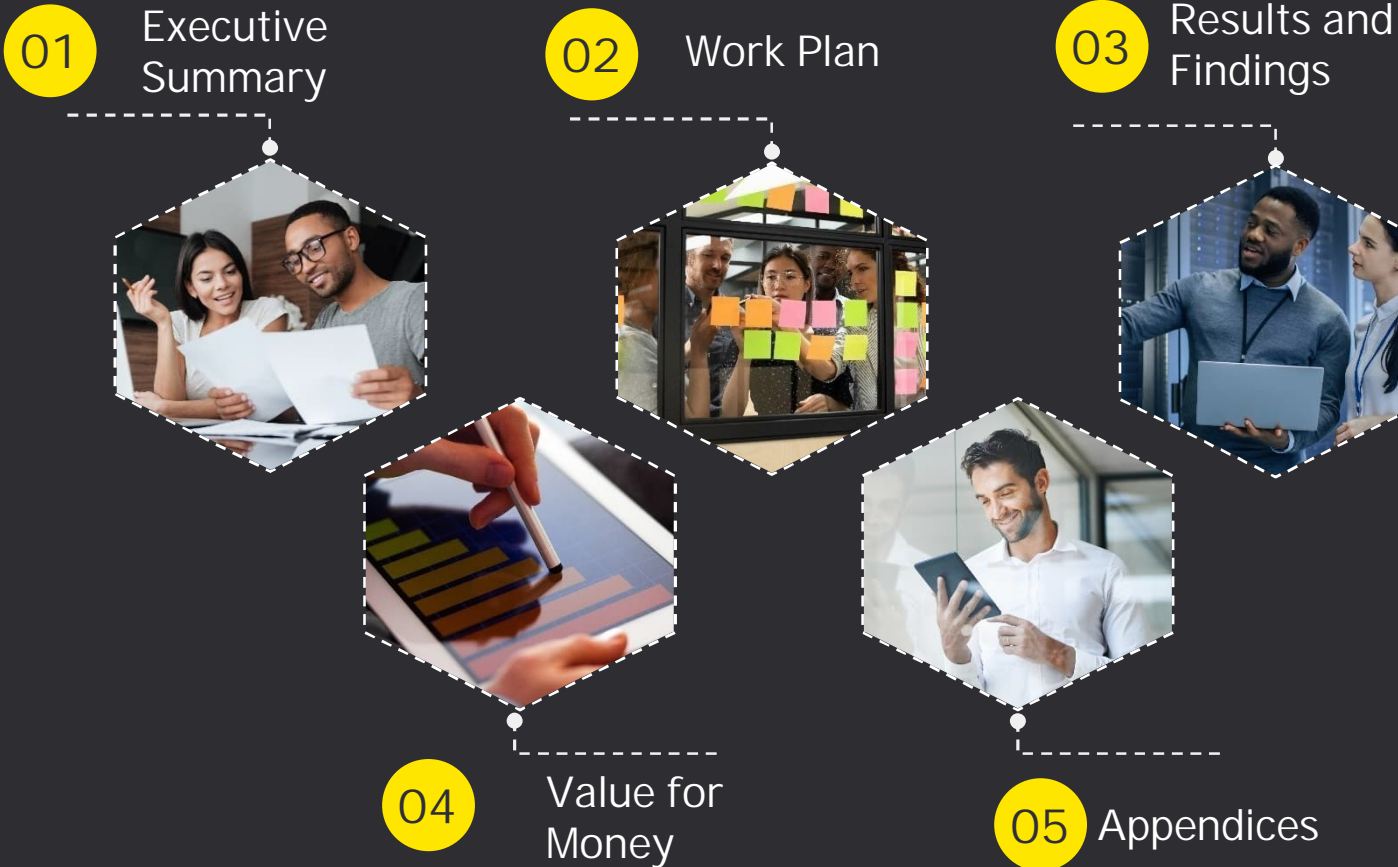
Maria Grindley

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website. The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit & Governance Committee and management of Oxford City Council. Our work has been undertaken so that we might state to the Audit & Governance Committee and management of Oxford City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Governance Committee and management of Oxford City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary



Executive Summary – System wide and local context

Context for the audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- Lack of capacity within the local authority financial accounting professions
- Increased complexity of reporting requirements within the sector
- Lack of capacity within audit firms with public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed

DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI), together with the updated NAO Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, which have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

As a result of the system wide implementation of backstop dates we anticipate issuing a disclaimed audit opinion on the Authority's 2021/21 and 2022/23 accounts. The proposed disclaimer of the Council's 2021/22 and 2022/23 accounts impacts the audit procedures that we have planned and undertaken to gain assurance on the 2021/22 and 2022/23 financial statements and the form of the audit report.



Executive Summary – Local context

Local Background and Context

The position at the Council has developed over recent years resulting in unaudited financial statements for 31 March 2022 and 31 March 2023.

The main reasons for the Council's financial statements not being prepared, audited and signed to date include:

- The significant challenges experienced with the implementation of the new housing IT system, QL, for one of its subsidiaries to raise and process invoices. The project which had an original go live date of 1 April 2019, suffered multiple delays and cost overruns, created a significant amount of business interruption which required significant additional officer resource to resolve. The actual 'Go Live' date was 1 May 2021. However significant issues were identified post 'Go Live' with the root of the problems being identified as the failed migration of data from a number of legacy systems into QL. Many of the problems existed up until November 2022.
- The issues with the QL system implementation impacted financial reporting and caused delays with the draft accounts production for 2021/22. This had a knock-on impact and caused delays with the external audits for both the Council and subsidiaries reliant on QL. The impacts were two-fold, it had a detrimental effect on the information available and ability for the Council to provide supporting information for the figures within the financial statements impacted by the system, and also Council staff capacity was stretched and many of our key contacts were not available to support and respond to the audit.
- We worked hard and flexibly with Council staff to try to complete the 2021/22 audit, and we very nearly did so – the majority of our testing was completed but unfortunately Council staff capacity and issues with getting reliable information from the system meant that we couldn't get the audit completed in time to meet the backstop date.
- The post pandemic timelines resulted in audit teams trying to move delayed audits on to completion, whilst finance teams were trying to catch up, deal with current priorities and plan for the future. This used a significant amount of our finite audit resource, leading to a lack of capacity to move onto the 2022/23 audit year.
- In addition to the specific issues at Oxford City as set out above, there were a number of new technical issues and challenges to address during this period, including, accounting for infrastructure assets and taking into account the updated pension fund valuations, which added to the delays to the prior years' audits being completed.
- The Authority has been in a position to present draft statements of account for audit within the regulatory timeframe in recent years. However, the system issues and wider impacts meant that they Authority has fallen behind with these processes whilst it has focused on making the required improvements. We were therefore unable to complete the 2021/22 audit and schedule the 2022/23 audit for the Authority before the back stop date.

Executive Summary – Report structure and work completed

Report structure and work completed

This report covers the work we have completed to meet the requirements of the International Standards on Auditing (UK&I), (ISAs) and the Local Audit Reset and Recovery Implementation Guidance (LARRIGs) along with the National Audit Office Value for Money Code (NAO VFM Code). It has been split into the following sections.

Section 1 – Executive Summary – this section setting out the national and local context and the structure of our report.

Section 2 – Work Plan – We have completed the following planning tasks:

- ▶ Required independence procedures.
- ▶ Set a level of materiality.
- ▶ Issued letters of inquiry to Management, Those Charged with Governance, the Head of Internal Audit and the Monitoring Officer.
- ▶ Updated our understanding of the business, including through review of responses to inquiry letters, minute review and in discussion in our internal planning meeting,
- ▶ Identified significant, inherent and other areas of higher risk or focus.
- ▶ Considered any other matters that may require reporting to regulators or which may result in a modification to the audit report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor's powers.

Section 3 – Results and findings - Work completed to issue the disclaimer, findings and results:

- ▶ Review of the financial statements.
- ▶ Consideration of any matters that came to light during our planning and review procedures in relation to laws and regulations, fraud, related parties, litigation and claims, significant changes to contracts and systems, service organisations, which we report as appropriate.
- ▶ Reporting on any other matters that may require the use of the auditor's powers, formal reporting or a modification to the auditor's report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor's powers.

Section 4 – Value for money reporting

- ▶ The value for money report covering the years 1 April 2021 to 31 March 2023.

Section 5 - Appendices



02 Work Plan

Work Plan – Audit Scope

Audit scope

This Completion report covers the work that we performed in relation to:

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2022 and 31 March 2023 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 4.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

Given that SI (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024 imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

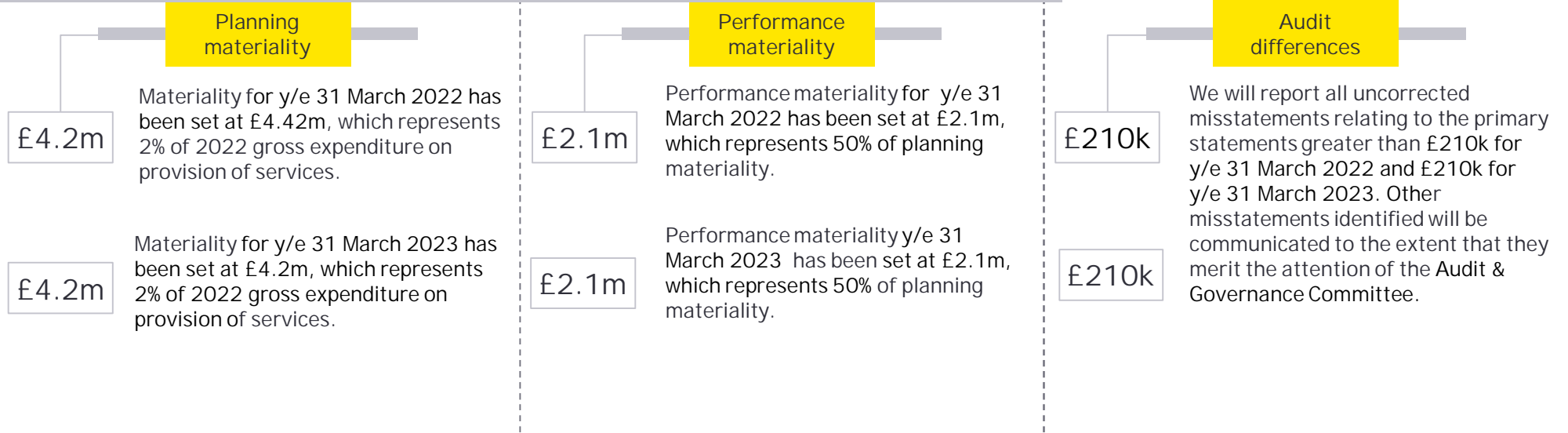
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Taking the above into account, for the years ended 31 March 2022 and 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

Work Plan - Materiality

Materiality



In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the 2020/21 audit year. We have considered updating this materiality for any key changes or known factors from that year of which there were none. We determined that our audit procedures would be performed using a materiality of £4.2m for the years 2021/22 and 2022/23. This level of materiality remains appropriate for the actual results for the financial years.

These materiality levels have been set based on the main Authority financial statements – we have not considered group materiality. These levels are being used to assess our response to any issues identified in the Authority's financial statements.

Work Plan – Significant, inherent and other risk areas

The following ‘dashboard’ summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the years covered in this report.

Audit risks and areas of focus

Risk/area of focus	Applicable years	Risk identified	Change from PY	Details
Misstatement due to fraud or error	All years covered by this report	Fraud risk	No change in risk or focus	There is a risk that the financial statements are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	All years covered by this report	Significant Risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Valuation of Land and Building - Property, Plant and Equipment (PPE) and Investment Property (IP)	All years covered by this report	Fraud risk	No change in risk or focus	The carrying amount of PPE and the fair value of IP represent significant balances in the Council's accounts and are subject to impairment reviews, depreciation charges and valuation changes, respectively. There is a risk that land and buildings may be incorrectly valued based on Oxford City Councils revaluation policy.
Pension Liability Valuation	All years covered by this report	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Group consolidation	All years covered by this report	Inherent risk	No change in risk or focus	There is a risk associated with the consolidation of all entities in the group. Whilst the group structure is relatively simple, there is still an inherent risk surrounding the consolidation.

Work Plan - Independence

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence

The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the Audit & Governance Committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a "pre-approval" to provide the service).

- ▶ All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of our work, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Work Plan - Independence

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Maria Grindley, your audit engagement partner for years ended 31 March 2022, and 31 March 2023, and the audit engagement team have not been compromised

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary, agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, the current ratio of non-audit fees to audit fees is 0:1 2021/22 and 2022/23. No additional safeguards are required.

Self-review threats

A self-review threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



03 Results and findings



Results and findings

Status of the audit

Our audit work in respect of the Oxford City Council opinions is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ Completion of subsequent events procedures;
- ▶ Receipt of a signed management representation letter

Given that the audit process is still ongoing, we will continue to consider existing and new information which could influence our final audit opinion, a current draft of which is included later in this section of the report.

Value for Money

Our value for money (VFM) work is complete and reported in Section 4 of this report. We identified a risk of significant weakness related to:

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Having updated and completed the planned procedures in these areas we identified a significant weakness within Governance. This related to the implementation of the new QL Housing IT system.

Audit differences

In both draft financial statements 2022 and 2023, we have identified a number of differences in brought forward prior year balances. We have not completed audit work on these statements and therefore are not investigating or reporting on these further.

Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts. We have no matters to report as a result of this work.



Results and findings

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Oxford City Council. We concluded we would disclaim the audit and therefore have not completed detailed audit testing on these areas but instead have reported any matters that came to light from the work we did complete.

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit & Governance Committee or Full Council.

Control observations

Our work has not identified any deficiencies in internal control.

Independence

Further to our review of independence in section 2 of this report we have not identified any issues to bring to your attention..

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest.



Results and findings

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Findings and issues around the opening balance on initial audits (if applicable);
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits

We have no other matters to report.

Results and findings - Audit Report

Draft audit report

Audit Report 2021/22

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD CITY COUNCIL AND GROUP Disclaimer of Opinion

We were engaged to audit the financial statements of Oxford City Council ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2022. The financial statements comprise the:

- Oxford City Council and Group Movement in Reserves Statement,
- Oxford City Council and Group Comprehensive Income and Expenditure Statement,
- Oxford City Council and Group Balance Sheet,
- Oxford City Council and Group Cash Flow Statement,
- the related notes 1 to 44 for the Council including the Expenditure & Funding Analysis and the accounting policies,
- the related Group notes 1 to 11,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes H1 to H9, and
- Collection Fund and the related notes CF1 to CF3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Group and the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907), which came into force on 30 September 2024, requires the accountability statements for this financial year to be approved not later than 13th December 2024. This requirement meant that we were unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion as we had insufficient resources in the time available to perform all necessary procedures to support the local government audit reset.

The Council and Group experienced significant delays and challenges during 2021/22 with the implementation of a new housing system, QL. The issues with the QL housing system implementation impacted financial reporting and caused delays with the draft accounts production for 2021/22. This had a knock-on impact and caused delays during 2021/22 with the external audits for both the Council and subsidiaries reliant on QL.

Results and findings - Audit Report

Draft audit report

Audit Report 2021/22

Our opinion on the financial statements

As a result of the delays to the 2021/22 audit together with a number of new technical issues and challenges to address, including, accounting for infrastructure assets and taking into account the updated pension fund valuations in the prior years and the wider requirement of the local audit system reset, we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2021/22 financial statements before the 13th December 2024 backstop date.

Therefore, we are disclaiming our opinion on the 2021/22 financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)

- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

- we are not satisfied that the Group and the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022

Governance: How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance including the audit and governance committee.

Results and findings - Audit Report

Draft audit report

Audit Report 2021/22

Our opinion on the financial statements

Oxford City Council implemented a new housing system named QL for the subsidiary, Oxford Direct Services (ODS), to raise invoices. The project which had an original go live date of 1 April 2019, suffered multiple delays and cost overruns, created a significant amount of business interruption which required significant additional officer resource to resolve. The original budget for the implementation and software was £1.6 million and this more than doubled.

The actual 'Go Live' date was 1 May 2021. However significant issues were identified post 'Go Live' with the root of the problems being identified as the failed migration of data from a number of legacy systems into QL. A cross service multi-disciplinary team of officers and contractor staff from the IT partner was put in place to resolve a number of the issues noted above however many of the problems existed up until November 2022. To oversee the resolution of the problems post April 2021 the membership of the Project Implementation Board was changed and a new Project Recovery Board was established consisting of senior management with the Council, Oxford Direct Services and the IT Partner responsible for the implementation. The issues with the QL system implementation also impacted financial reporting and delays with the Accounts production for 2021/22. This had a knock-on impact and caused delays with the external audits for both the Council and subsidiaries reliant on QL as Group Accounts and consolidated entries could not be readily determined. In addition, the budget more than doubled and this excludes the significant additional senior officer commitments to facilitate the recovery.

As a result, for the VFM period under review, the programme implementation was still largely in a status of recovery.

Judgement on the nature of weakness identified:
Having read the independent review, and other relevant documentation such as relevant minutes, we have identified a significant weakness in relation to the Council's inability to provide effective oversight and management of the implementation of the QL Housing System. The project lacked clear ownership and sponsorship of the project changed more than once. The project board was not properly structured with access to the skills and knowledge for a project of this complexity. The use of sub-groups of the project board also proved to be ineffective.

Evidence on which this is based:

In forming our assessment, we have read and considered:

- Relevant committee papers and minutes where the QL implementation was discussed;
- Discussions with senior officers including the Head of Financial Services;
- EY attendance at committees where the matter was regularly discussed;

Results and findings - Audit Report

Draft audit report

Audit Report 2021/22

Our opinion on the financial statements

- The independent lessons learned review commissioned by the Council clearly identifies and highlights ongoing implementation issues throughout 2021/22 resulting in a sub-optimal outcome and rising costs; and
- It also highlights a fundamental issue in respect of both the quality of the property and tenancy data, and a failure to transfer the data from a number of legacy historical systems into the new QL system with ongoing data issues being highlighted throughout 2021/22.

Impact on Oxford City Council and Group:

These issues have impacted the ability of the Council and its subsidiary to produce timely financial reporting due to both the impact on the capacity of the finance team, and the poor- quality data available to them. In addition, the budgets significantly increased, in effect doubling, as did additional officer input time.

Action needed to address the weakness:

We recommend that the Council establishes appropriate governance arrangements in relation to all future IT projects, such that they are suitably planned and resourced, including ensuring the quality of the underlying data, effectively implemented and delivered to both time and budget.

The issue is evidence of a significant weakness in proper arrangements in respect of Governance: How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance including the audit and governance committee.

Responsibility of the Head of Financial Services

As explained more fully in the Statement of the Head of Financial Service's Responsibilities set out on pages xx, the Head of Financial Services is responsible for the preparation of the Statement of Accounts, which includes the Group financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Head of Financial Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Financial Services is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

Results and findings - Audit Report

Draft audit report

Audit Report 2021/22

Our opinion on the financial statements

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether Oxford City Council and Group had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness.

The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Oxford City Council and Group put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Oxford City Council and Group had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Results and findings - Audit Report

Draft audit report

Audit Report 2021/22

Our opinion on the financial statements

Certificate

We certify that we have completed the audit of the accounts of Oxford City Council and Group in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Oxford City Council and Group, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group members as a body, for our audit work, for this report, or for the opinions we have formed.

*Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
26 November 2024*

The following footnote does not form part of our Auditor's Report.

Additional information related to the disclaimer of opinion is set out in our Completion Report for Those Charged with Governance dated 20 November 2024, available on the Authority's website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.

Results and findings - Audit Report (cont'd)

Audit Report 2022/23

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD CITY COUNCIL & GROUP

Disclaimer of opinion

We were engaged to audit the financial statements of Oxford City Council ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2023. The financial statements comprise the:

- Oxford City Council and Group Movement in Reserves Statement,
- Oxford City Council and Group Comprehensive Income and Expenditure Statement,
- Oxford City Council and Group Balance Sheet,
- Oxford City/Council and Group Cash Flow Statement,
- the related notes 1 to 44 including a summary of significant accounting policies and including the Expenditure and Funding Analysis,
- the related Group notes 1 to 11,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes HR1 to HR9, and
- Collection Fund and the related notes CF1 to CF2

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Group and the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

The audit of the 2021/22 financial statements for Oxford City Council & Group was not completed for the reasons set out in our opinion on those financial statements dated 26 November 2024. As a result of the delays to the previous year's audit together with the wider requirements of the local audit system reset, we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements before the 13th December 2024 backstop date.

Results and findings - Audit Report (cont'd)

Audit Report 2022/23

Our opinion on the financial statements

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
 - we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

Governance: How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance including the audit and governance committee.

In respect of the following we have matters to report by exception:

- we are not satisfied that the Group and the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Governance: How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance including the audit and governance committee.

Oxford City Council implemented a new housing system named QL for the subsidiary, Oxford Direct Services (ODS), to raise invoices. The project which had an original go live date of 1 April 2019, suffered multiple delays and cost overruns, created a significant amount of business interruption which required significant additional officer resource to resolve. The original budget for the implementation and software was £1.6 million and this more than doubled.

The actual 'Go Live' date was 1 May 2021. However significant issues were identified post 'Go Live' with the root of the problems being identified as the failed migration of data from a number of legacy systems into QL. A cross service multi-disciplinary team of officers and contractor staff from the IT partner was put in place to resolve a number of the issues noted above however many of the problems existed up until November 2022.

Results and findings - Audit Report (cont'd)

Audit Report 2022/23

Our opinion on the financial statements

To oversee the resolution of the problems post April 2021 the membership of the Project Implementation Board was changed and a new Project Recovery Board was established consisting of senior management with the Council, Oxford Direct Services and the IT Partner responsible for the implementation. The issues with the QL system implementation also impacted financial reporting and delays with the Accounts production for 2022/23. This had a knock-on impact and caused delays with the external audits for both the Council and subsidiaries reliant on QL as Group Accounts and consolidated entries could not be readily determined. In addition, the budget more than doubled and this excludes the significant additional senior officer commitments to facilitate the recovery.

As a result, for the VFM period under review, the programme implementation was still not fully operational.

Judgement on the nature of weakness identified:

Having read the independent review, and other relevant documentation such as relevant minutes, we have identified a significant weakness in relation to the Council's inability to provide effective oversight and management of the implementation of the QL Housing System. The project lacked clear ownership and sponsorship of the project changed more than once. The project board was not properly structured with access to the skills and knowledge for a project of this complexity. The use of sub-groups of the project board also proved to be ineffective.

Evidence on which this is based:

In forming our assessment, we have read and considered:

- Relevant committee papers and minutes where the QL implementation was discussed;
- Discussions with senior officers including the Head of Financial Services;
- EY attendance at committees where the matter was regularly discussed; and
- The independent lessons learned review commissioned by the Council clearly identifies and highlights ongoing implementation issues throughout 2022/23 resulting in a sub-optimal outcome and rising costs.

Impact on Oxford City Council and Group:

These issues have impacted the ability of the Council and its subsidiary to produce timely financial reporting due to both the impact on the capacity of the finance team, and the poor-quality data available to them. In addition, the budgets significantly increased, in effect doubling, as did additional officer input time.

Results and findings - Audit Report (cont'd)

Audit Report 2022/23

Our opinion on the financial statements

Action needed to address the weakness:

We recommend that the Council establishes appropriate governance arrangements in relation to all future IT projects, such that they are suitably planned and resourced, including ensuring the quality of the underlying data, effectively implemented and delivered to both time and budget.

The issue is evidence of a significant weakness in proper arrangements in respect of Governance: How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance including the audit and governance committee.

Responsibility of the Head of Financial Services

As explained more fully in the Statement of the Head of Financial Service's Responsibilities set out on pages xx, the Head of Financial Services is responsible for the preparation of the Statement of Accounts, which includes the Group financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Head of Financial Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Financial Services is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Results and findings - Audit Report (cont'd)

Audit Report 2022/23

Our opinion on the financial statements

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether Oxford City Council & Group had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Oxford City Council & Group put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Oxford City Council & Group had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Oxford City Council & Group in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Oxford City Council & Group, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
26 November 2024*

Results and findings - Audit Report (cont'd)

Audit Report 2022/23

Our opinion on the financial statements

The following footnote does not form part of our Auditor's Report.

Additional information related to the disclaimer of opinion is set out in our Completion Report for Those Charged with Governance dated 20 November 2024, available on the Authority's website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.



04 Value for Money



VFM - Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03). The Department for Levelling Up, Housing and Communities (DLUHC) as it was at the time, worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. We are continuing to report Value for Money (VFM) in line with our full responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities. Our Interim Value for money report includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22 and 2022/23.

The purpose of this is to explain the work we have undertaken in respect of the period 1 April 2021 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit years 2021/22 and 2022/23.

The report sets out the following areas which have been assessed up to the point of issuing this report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified; and
- Findings to date from our planned procedures.

VFM - Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the Head of Financial Services;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

As a result, we identified a significant risk related to *Governance: How the Council ensures that it makes informed decisions and properly manages its risks*

We set out our planned response to address this risk in the table below.

Description of risk identified	Work planned to address the risk of significant weakness
Governance: Failure to maintain a sound system of internal control specifically on areas relevant to financial reporting.	Implementation of the QL Housing IT system – review detailed and relevant working papers along with Committee and other meeting minutes and decisions made and supporting information for these.

VFM - Executive Summary (continued)

Reporting

Our commentary for 2021/22 and 2022/23 is set out over pages 25 to 28. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23. We include within the VFM commentary below the associated recommendations we have agreed with the Council.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services.	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	Failure to maintain a sound system of internal control specifically on areas relevant to financial reporting.	Significant weakness identified in the implementation of the new QL Housing IT system impacting both 2021/22 and 2022/23
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified.

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

Financial Performance:

The Council set a budget for spending on General Fund services of £24.605 million, to be financed by Council Tax of £14.758 million (net of parish precepts), retained business rates of £7.154 million, contributions from earmarked reserves of £1.982 million, and grant of £0.711 million. The 22/23 revenue outturn showed a favourable position of £0.193 million against the balanced budget agreed in February 2022. This position is after carry forward of unspent budgets of £0.148 million and a budgeted transfer of £1.982 million from earmarked reserves.

Company Financial positions:

The Council has three wholly owned companies: Oxford Direct Services Ltd (ODSL), Oxford Direct Services Trading Ltd (ODSTL), and Oxford City Housing Ltd (OCHL). The OCHL holding company has two wholly owned subsidiaries: Oxford City Housing Development Ltd (OCH(D)L) and Oxford City Housing Investment Ltd (OCH(I)L). The Council also has two joint ventures: OxWED LLP and Barton Oxford LLP. ODSL made a surplus of £1.4 million in 2022/23 (2.5 million in 2021/22). ODSTL made a surplus of £0.5 million in 2022/23 (£0.288 million in 2021/22). From 2021/22 onwards, ODSL performed only work for the Council, and work for any entities other than the Council was performed by ODSTL. OCHL group made a profit of £2.653 million for the 2022/23 financial year 2022/23 (£3.413 million for 2021/22). OxWED LLP made a loss of £3.255 million for 2022/23 (0.834 million in 2021/22) mainly due to financing costs from servicing the loans from the partners (which mainly relate to the costs of land assembly) and the costs of the preparation for development. The company is working on bringing the site forward for development.

Financial Position:

Total Usable Reserves increased by £6.4 million due to planned transfers to reserves. The balance of the Council's General Fund remained constant year on year at £12.622 million. Earmarked Reserves decreased from £51.4 million to £44.2 million which was in line with the Medium-Term Financial Plan and the return to business as usual after Covid. Key movements within Earmarked Reserves included the NNDR Retention Reserve which reduced year on year by £7.4 million; and the Covid Emergency Reserve which reduced year on year by £1.9 million.

Budgets and Medium Term Financial Strategy:

The budgets for 2022/23 and 2021/22 were approved in February 2022 and February 2021 respectively. The Council was able to produce a balanced budget for the financial year in-line with statutory duties. The Council has set a balanced budget for the financial years to 2027/28. The main service provision pressure for the Council at present is the homelessness service and the additional costs of temporary accommodation associated with this. Adverse budget pressures of £0.9 million are forecast in this area for 2023/24 with costs expected to increase to £3 million for 2024/25. This is a key area of scrutiny within the organisation. The budgets for 2023/24 and 2024/25 were scrutinised by the Finance Team, Directors and the Chief Executive, Executive Members and the Scrutiny Committee's Finance Panel, and the figures presented within the budget were a sound estimate of the position. Uncertainty was highlighted around key income streams, such as car parking and rents, however the section 25 report concluded that the budgets for 2023/24 and 2024/25 were robust and that the level of reserves were adequate to support the Council over the following four years

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

The Council continues to maintain adequate arrangements to monitor and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud and corruption. The Council's risk management framework guides the development of risk and opportunity management at a strategic and operational level and to ensure that risks are appropriately managed and controlled. This aids the achievement of the Council's strategic priorities, supports its decision-making processes, and protects its reputation and other assets and is compliant with statutory and regulatory obligations. Risks are identified as a routine process of all services and these are regularly reviewed and updated.

The Council has implemented systems to ensure conflicts of interest are identified, recorded and acted upon accordingly, excluding anyone from decision-making where a conflict arises, and making public declaration of interests through its Register of Interests which is published on the Council's website and covers employees and members.

This risk management framework is supported and informed by the work of the Council's Internal Audit function. Having completed their work in accordance with the 2021/22 and 2022/23 Internal Audit Plans, Internal Audit issued a Moderate Head of Internal Audit Opinion for both years concluding that 'there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently'. Where recommendations have been raised, there is an established process of monitoring progress to ensure these recommendations are implemented and embedded. Where actions and recommendations go overdue, management are required to report the rationale to the Committee.

The Council published their draft 2022/23 financial statements for audit on the 29 May 2023, in line with the Audit and Accounts regulations, and advertised and held an inspection period for members of the public in line with these regulations. We confirm that the 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The Council has carried out bank reconciliations during the year. Therefore, appropriate arrangements for financial reporting were in place during 2022/23.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

Implementation of new QL Housing IT System:

During the period Oxford City Council implemented a new housing IT system named QL for one of its subsidiaries (Oxford Direct Services - ODS to raise and process invoices. There have been a number of significant challenges with the implementation.

The project which had an original go live date of 1 April 2019, suffered multiple delays and cost overruns, created a significant amount of business interruption which required significant additional officer resource to resolve. The original budget for the implementation and software was £1.6 million. The actual 'Go Live' date was 1 May 2021. However significant issues were identified post 'Go Live' with the root of the problems being identified as the failed migration of data from a number of legacy systems into QL. A cross service multi-disciplinary team of officers and contractor staff from the IT partner was put in place to resolve a number of the issues noted above however many of the problems existed up until November 2022. To oversee the resolution of the problems post April 2021 the membership of the Project Implementation Board was changed and a new Project Recovery Board was established consisting of senior management with the Council, Oxford Direct Services and the IT Partner responsible for the implementation.

As a result, the programme implementation is in a status of recovery. An independent review of the QL Housing System Programme Implementation was initiated by the Director of People and Communities in parallel with putting in place programme interventions to stabilise the programme and deal with immediate issues. The Council are heading towards a business-as-usual status with QL and the Council have developed a series of planned actions, decisions, and recommendations to improve the progress of the project. The issues with the QL system implementation also impacted financial reporting and delays with the draft accounts production for 2021/22. This had a knock-on impact and caused delays with the external audits for both the Council and subsidiaries reliant on QL.

Conclusion: Based on the work performed, we have identified a significant weakness in the arrangements that we will be reporting by exception in relation to Governance and specifically the decision making in place around the implementation of the new QL Housing IT system.

Recommendation: We recommend that the Council establishes appropriate governance arrangements in relation to all future IT projects, such that they are suitably planned and resourced, including ensuring the quality of the underlying data, effectively implemented and delivered to both time and budget.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements. Each of the Council's areas of key service provision are supported by a separate overview and scrutiny committee. Each of these Committees is responsible for ensuring compliance with legislative and regulatory requirements.

The Council has an established process of quarterly reporting of financial performance to the Finance, and Performance Panel Committee and operational performance reports to the service line Overview and Scrutiny Bodies. These in turn are sub-committees of the Cabinet. These have continued to operate effectively throughout the 2021/22 and 2022/23 periods, and clearly outline performance against planned targets and outcomes. These meetings and the decisions made are published on the Council's website. Depending on the performance area, the (full) Council meeting has oversight of actions being identified and taken to address areas where performance is below plan. Where available, services utilise performance information and standards to compare and assess performance with other councils or with nationally recognised performance frameworks (e.g. Department of Work and Pensions and national planning indicators).

Each year the Council produces a Business Plan which details the Council's performance throughout the year, both financial and non-financial. The Council Business Plan for 2022-23 was published in March 2022 <https://mycouncil.oxford.gov.uk/ielssueDetails.aspx?Ild=27055&PlanId=0&Opt=3#AI28733>. This report provides strategic oversight of the Council's performance in year against the Strategic Plan and sets out ways to refresh the Plan and update the Council Performance Management Framework..

In July 2023 the Council received positive feedback from a LGA Corporate Peer Challenge. The peer reviewers spent a week on site and interviewed over 150 key stakeholders as well as reviewing key documents such as the Medium-Term Financial Plan. Headline messages included phrases such as: 'Oxford City Council is a particularly ambitious district council with a strong track record of delivery'. Other conclusions from the report made reference to the Council's role in key partnerships: "The Council is a good partner and is respected for its convening role in collaboration and place shaping".

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



05 Appendices

Appendix A – Management representation letter

Management representation letter

Management Representation Letter 2021/22 and 2022/23. NB: A separate letter is required for each year

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

This letter of representations is provided in connection with your audit of the consolidated and parent Authority financial statements of *Oxford City Council and Group* ("the Group and authority") for the year ended *balance sheet date*. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the Group and authority financial position of *Oxford City Council and Group* as of *[balance sheet date]* and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Authority, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our consolidated and parent Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary

for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the parent Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
2. We acknowledge, as members of management of the Group and authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the consolidated and parent Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and parent Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the Group and authority financial statements are appropriately described in the Group and authority financial statements.
4. As members of management of the Group and authority, we believe that the Group and authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with *[applicable financial reporting framework]* for the Group and *applicable financial reporting framework* for the Authority that are free from material misstatement, whether due to fraud or error.

Appendix A – Management representation letter

Management representation letter

Management Representation Letter 2021/22 and 2022/23. NB: A separate letter is required for each year

Management Rep Letter

5. There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Authority financial statements for the year ended *[date]* are solely the result of reclassifications for comparative purposes.
6. We confirm the Group and authority does not have securities (debt or equity) listed on a recognized exchange.
7. We have confirmed to you any changes in service organizations within the Group and authority since the last audited financial year.

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and parent Authority financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Group or Authority (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Authority financial statements
 - Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Authority financial statements, but compliance with which may be fundamental to the operations of the Group and authority's business, its ability to continue in business, or to avoid material penalties

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- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and parent Authority financial statements.
3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: [\[list date\]](#).

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the consolidated and parent Authority financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the applicable financial reporting framework.
6. We have disclosed to you, and the Group and authority has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and parent Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the consolidated and parent Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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8. We have disclosed to you, and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the consolidated and parent Authority financial statements, including disclosures.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and parent Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have not given any guarantees to third parties.

E. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Authority has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Authority's assets, nor has any asset been pledged as collateral. All assets to which the Group and Authority has satisfactory title appear in the balance sheets.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and parent Authority financial statements.
3. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

F. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant & Equipment and Investment Properties, and the IAS19 actuarial valuations of pension fund liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialist.

G. Estimates

1. We confirm that the significant judgments made in making the valuation of land, buildings and investment properties, the pension net liability and the NDR appeals provision have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of land, buildings and investment properties, the pension net liability and the NDR appeals provision.
3. We confirm that the significant assumptions used in making the valuation of land, buildings and investment properties, the pension net liability and the NDR appeals provision appropriately reflect our intent and ability to carry out services on behalf of the entity.

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4. We confirm that the disclosures made in the consolidated and Authority financial statements with respect to the accounting estimates, including those describing estimation uncertainty on valuation of land, buildings and investment properties, the pension net liability and the NDR appeals provision, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of land, buildings and investment properties, the pension net liability and the NDR appeals provision.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent entity financial statements

H. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Reserves

1. We have properly recorded or disclosed in the consolidated and parent Authority financial statements the useable and unusable reserves

J. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and parent Authority financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and parent Authority financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

J. Going Concern

1. Note 44 to the consolidated and parent Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

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L. Subsequent Events

1. Other than the events described in Note xx to the consolidated and parent Authority financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

M. Group Audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Authority, subsidiary undertakings and associated undertakings.

N. Reserves

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information contained within the Narrative Statement and also the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the consolidated and parent Authority financial statements.
3. We confirm that the Annual Governance Statement for 2022/23 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2022/23 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

O. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and the Group and authority have reflected these in the consolidated and parent financial statements.

Yours faithfully,

Nigel Kennedy – Head of Financial Services

Councillor James Fry - Chairman of the Audit & Governance Committee

Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The original fees for these years were based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

Due to the reset, the above clearly will not be achieved and we will be liaising with PSAA Ltd to discuss and agree fees.

	2022/23	2021/22	2020/21
	£	£	£
Scale Fee – Code Work	88,244	71,440	66,355
Other (Note 1)	TBC	TBC	68,454
Total audit	TBC	TBC	134,809
Other non-audit services not covered			
None	0	0	0
Total other non-audit services	0	0	0
Total fees	TBC	TBC	134,809

All fees exclude VAT

Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2021/22 and 2022/23.

In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

Appendix C – Required communications with the Audit & Governance Committee

We have detailed the communications that we must provide to the Audit & Governance Committee.

Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit & Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	This Completion report for Those Charged with Governance
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit) 	This Completion report for Those Charged with Governance

Appendix C – Required communications with the Audit & Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	This Completion report for Those Charged with Governance
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	This Completion report for Those Charged with Governance
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit & Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit & Governance Committee responsibility 	This Completion report for Those Charged with Governance

Appendix C – Required communications with the Audit & Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	This Completion report for Those Charged with Governance
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	This Completion report for Those Charged with Governance

Appendix C – Required communications with the Audit & Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The Audit & Governance Committee should also be provided an opportunity to discuss matters affecting auditor independence 	This Completion report for Those Charged with Governance
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	This Completion report for Those Charged with Governance
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit & Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit & Governance Committee may be aware of 	This Completion report for Those Charged with Governance
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	This Completion report for Those Charged with Governance
Group audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted 	This Completion report for Those Charged with Governance

Appendix C – Required communications with the Audit & Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	This Completion report for Those Charged with Governance
Representations	Written representations we are requesting from management and/or those charged with governance	This Completion report for Those Charged with Governance
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Completion report for Those Charged with Governance
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Completion report for Those Charged with Governance
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	This Completion report for Those Charged with Governance

Appendix D - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics \(IESBA Code\)](#) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and
Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

Appendix D - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

Appendix E – Summary of recommendations

Recommendations brought forward from 2021/22

The table below sets out the recommendations arising from the value for money work in 2020/21 and progress made in 2021/22 and 2022/23.

All recommendations have been agreed by management.

Issue	Recommendation	Management response
<p>Governance: How the body monitors and assesses risks and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>We recommend that the Council establishes appropriate governance arrangements in relation to all future IT projects, such that they are suitably planned and resourced, including ensuring the quality of the underlying data, effectively implemented and delivered to both time and budget.</p>	<p>The Council commissioned a review into the implementation of IT Projects and following this has implemented a number of recommendations which together cover the recommendations raised in the VfM report.</p> <p>The Council has introduced new corporate governance processes, along with more robust reporting and decision making through our Communities and Corporate Change Boards. All new projects now follow the new processes that have been introduced and now have more robust Senior management oversight.</p> <p>There are now project 'gateways' that test specifications, evaluate the procurement route and the risks before allowing a project to proceed and these stages are scrutinised through the Organisation Change Board which all Heads of Service attend to ensure that the correct stakeholders are involved in evaluation and are providing sufficient support to the project board. Each project must have a RACI (Responsibility, Accountability, Consulted and Informed) document which clearly sets out areas of responsibility, for everyone involved in the project including setting clear project roles and responsibilities, Senior Management sponsorship, as well as defining Heads of Service and Project Manager roles.</p> <p>Project Managers, especially for major systems, are now required to be suitably experienced. The Business owner role for all ICT related projects is a key part of the documentation required for sign off and there are periodic updates of new ICT projects to both Corporate Management Team and Organisational Change Board on progress of key projects.</p> <p>Go live decisions are now be taken by the project's project board, with clear understanding of the risks and implications.</p>

Appendix F – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- assign responsibilities clearly to staff with the appropriate expertise and experience;*
- provide necessary resources to enable delivery of the plan;*
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

Appendix G – Other Communications

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2024 and can be found here: [EY UK 2024 Transparency Report | EY - UK](#)

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